

Message Text

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ACTION EB-07

INFO OCT-01 AF-08 NEA-10 ISO-00 AID-05 CIAE-00 COME-00

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03

SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15

STR-04 CEA-01 /086 W

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R 221214Z SEP 76

FM AMEMBASSY KHARTOUM

TO SECSTATE WASHDC 2604

INFO AMEMBASSY JIDDA

C O N F I D E N T I A L KHARTOUM 2782

DEPARTMENT PASS TO FRANK HILL, OPIC

DEPARTMENT FOR AMBASSADOR BREWER

E.O. 11652: GDS

TAGS: EINV, EIND, US, SU

SUBJECT: STATUS OF CEMPRO PROJECT

REF: KHARTOUM 1347 (NOTAL AND PREVIOUS)

1. TWO FINANCING DEVELOPMENTS HAVE GREATLY IMPROVED CHANCES OF EARLY IMPLEMENTATION OF CEMPRO PROJECT FOR CONSTRUCTION 400,000 TON PER YEAR CEMENT PLANT NEAR PORT SUDAN. KINARD, PRESIDENT OF KH INTERNATIONAL, AND FINN OF ROBERT FLEMING, INFORMED ECON OFFICER OF FAVORABLE RECENT DEVELOPMENTS IN BOTH EQUITY AND DEBT FINANCING OF THIS \$42 MILLION PROJECT.

2. UNTIL THIS WEEK, PROJECT STILL NEEDED \$14.5 MILLION OF DEBT FINANCING. CITIBANK HAS NOW GIVEN PRELIMINARY AGREEMENT TO PROVIDE \$5 MILLION AND HEAD INTERNATIONAL FINANCIAL CONSORTIUM TO RAISE REMAINDER. KINARD AND FINN EXPECT SYNDICATION TO BE COMPLETED BY
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YEARS END. CITIBANK, CONVINCED OF ECONOMICVIABILITY

OF PROJECT, BELIEVES THAT INTERNATIONAL SYNDICATE
CAN BE PUT TOGETHER MORE QUICKLY.

3. \$14 MILLION EQUITY IN PROJECT WILL BE SHARED AS
FOLLOWS: BUTTES GAS AND OIL (\$5.5 MILLION), KH
INTERNATIONAL LCDQMT MILLION); OPIC (\$2.5 MILLION) AND
ARAB INVESTOR WITH SUDANESE PARTICIPATION (\$4.5
MILLION). KINARD WAS UNWILLING TO IDENTIFY ARAB
INVESTOR OTHER THAN TO SAY HE WAS A SAUDI. THEY
EXPECT TO HAVE LAST INVESTOR'S SIGNATURE ON AGREEMENT
AT MID-OCTOBER MEETING IN LONDON. THEY INDICATED
THAT THEY WOULD DISCUSS ARAB INVESTOR'S ROLE WITH
HILL IN WASHINGTON EARLY NEXT WEEK.

4. KINARD ASSURED ECON OFFICER THAT THEY POSSESS ALL
NECESSARY GOVERNMENT APPROVALS INCLUDING TAX EXEMPTIONS,
IMPORT PERMIT AND QUARRY PERMIT. THEY SAID THAT THEY
ANTICIPATED NO DIFFICULTY IN OBTAINING EXPORT
LICENSES FOR CEMENT AND IN OBTAINING LEASE FOR
PLANT SITE. WITH PLANT EQUIPMENT STORED AT CJEAT
LAKES SITE, THEY ARE CONCERNED THAT PROJECT COULD BE
DELAYED BY WINTER CLOSING OF ST. LAWRENCE SEAWAY.
THEY ARE CONSIDERING TAKING \$1.5 MILLION GAMBLE ON
SHIPPING COSTS AND GETTING SUPPLIES ENROUTE PRIOR TO ITS
CLOSURE.

5. KINARD AND FINN REQUESTED THAT ABOVE INFORMATION
BE CLOSELY HELD UNTIL AFTER AGREEMENT WITH ARAB EQUITY
PARTNERS IS SIGNED NEXT MONTH. WE WOULD APPRECIATE
IT IF OPIC MAKES NO REFERENCE TO THIS REPORT IN THEIR
UPCOMING CONVERSATIONS ON THIS PROJECT.

6. COMMENT: THIS PROJECT, IF IT GOES FORWARD AS
ANTICIPATED, WILL BE A SIGNIFICANT DEMONSTRATION OF
AMERICAN INTEREST IN SUDAN AND COULD BE PUBLICIZED
BY GOS OFFICIALS AS A BENEFIT FLOWING FROM NIMEIRI'S
RECENT US VISIT AND NORMALIZATION IN US-SUDAN RELATIONS.
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